

AMENDED IN SENATE JUNE 14, 2004
AMENDED IN ASSEMBLY JANUARY 16, 2004
AMENDED IN ASSEMBLY JANUARY 14, 2004
AMENDED IN ASSEMBLY JANUARY 5, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 1684

Introduced by Assembly Members Leno and Oropeza

February 21, 2003

An act to amend Section 379.6 of the Public Utilities Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

AB 1684, as amended, Leno. Distributed generation resources.

Existing law requires the Public Utilities Commission on or before March 7, 2001, and in consultation with the Independent System Operator, to take certain actions, including, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), adopting energy conservation demand-side management and other initiatives in order to reduce demand for electricity and reduce load during peak demand periods, including, but not limited to, differential incentives for renewable or superclean distributed generation resources. Pursuant to this requirement, the commission has developed a self-generation incentive program to encourage customers of electrical corporations to install distributed generation that operates on renewable fuel or contributes to system reliability.

Existing law requires the commission, in consultation with the Energy Commission, to administer, until January 1, 2008, a self-generation incentive program for distributed generation resources in the same form that exists on January 1, 2004. This program requires that combustion-operated distributed generation using nonrenewable fuel, in order to be eligible for incentive rebates, commencing January 1, 2005, meet a certain NO_x emission standard and, commencing January 1, 2007, meet a more stringent NO_x emission standard and a minimum efficiency standard. This existing program establishes, as of January 1, 2007, a credit for combined heat and power units that meet a certain efficiency standard.

This bill would expand the self-generation incentive program to make eligible for incentive rebates, ~~a combustion-operated distributed generation project that operates solely on natural gas that is not eligible for delivery to the utility pipeline system, provided certain air emissions benefits are achieved from the project~~ *a project that operates solely on waste gas, as defined, subject to certain requirements.*

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 379.6 of the Public Utilities Code is
- 2 amended to read:
- 3 ~~379.6.—(a) The commission, in consultation with the State~~
- 4 379.6. (a) The commission, in consultation with the State
- 5 Energy Resources Conservation and Development Commission,
- 6 shall *administer*; until January 1, 2008, ~~administer a the~~
- 7 self-generation incentive program for distributed generation
- 8 resources; *originally established pursuant to Chapter 329 of the*
- 9 *Statutes of 2000. Except as provided in subdivision (b), the*
- 10 *program shall be administered* in the same form as ~~exists~~ *it existed*
- 11 *on January 1, 2004.*
- 12 ~~(b) Notwithstanding subdivision (a),~~ *Eligibility for the*
- 13 *self-generation incentive program* ~~program~~ *program's level 3 incentive*
- 14 *category shall do all of the following* ~~be subject to the following~~
- 15 *conditions:*
- 16 (1) Commencing January 1, 2005, ~~require~~ all
- 17 combustion-operated distributed generation projects using fossil
- 18 fuels ~~to~~ *shall* meet an oxides of nitrogen (NO_x) emissions rate

1 standard of 0.14 pounds per megawatthour ~~to be eligible for~~
2 ~~self-generation rebates.~~

3 (2) Commencing January 1, 2007, ~~require~~ all
4 combustion-operated distributed generation projects using fossil
5 fuels ~~to shall~~ meet ~~an oxides of nitrogen (NOx) a~~ NOx emissions
6 rate standard of 0.07 pounds per megawatthour and a minimum
7 efficiency of 60 percent, ~~to be eligible for self-generation rebates.~~

8 A minimum efficiency of 60 percent shall be measured as useful
9 energy output divided by fuel input. The efficiency determination
10 shall be based on 100 percent load.

11 (3) Combined heat and power units that meet the 60 percent
12 efficiency standard may take a credit to meet the applicable ~~oxides~~
13 ~~of nitrogen (NOx)~~ NOx emission standard of 0.14 pounds per
14 megawatthour or 0.07 pounds per megawatthour. Credit shall be
15 at the rate of one megawatthour for each 3.4 million British
16 thermal units (Btus) of heat recovered.

17 (4) ~~Provide the commission with flexibility in~~ *Notwithstanding*
18 *paragraphs (1) and (2), a project that does not meet the applicable*
19 *NOx emission standard is eligible if it meets both of the following*
20 *requirements:*

21 (A) *The project operates solely on waste gas. The commission*
22 *shall require a customer that receives an incentive pursuant to this*
23 *paragraph to secure an interconnection agreement that specifies*
24 *that the project shall be operated solely on waste gas. Incentives*
25 *awarded pursuant to this paragraph shall be subject to refund and*
26 *shall be refunded by the recipient to the extent the project does not*
27 *operate on waste gas. A gas corporation or other gas supplier shall*
28 *report to the commission any deliveries of gas for a project that has*
29 *been awarded an incentive pursuant to this paragraph. As used in*
30 *this paragraph, "waste gas" means natural gas that is generated*
31 *as a byproduct of petroleum production operations and is not*
32 *eligible for delivery to the utility pipeline system.*

33 (B) *The air quality management district or air pollution control*
34 *district, in issuing a permit to operate the project, determines that*
35 *operation of the project will produce a net air emissions benefit,*
36 *compared to permitted emissions if the project does not operate.*

37 (c) *In administering the self-generation incentive program,*
38 ~~including, but not limited to, flexibility with regard to the~~
39 *commission may adjust the amount of rebates, inclusion of include*
40 *other ultra clean and low emission distributed generation*

1 technologies, *as defined in Section 353.2*, and ~~evaluation of~~
2 ~~evaluate~~ other public policy interests, including, but not limited to,
3 ratepayers, and energy efficiency and environmental interests.

4 ~~Energy Resources Conservation and Development Commission,~~
5 ~~shall administer, until January 1, 2008, a self-generation incentive~~
6 ~~program for distributed generation resources, in the same form as~~
7 ~~exists on January 1, 2004.~~

8 ~~(b) Notwithstanding subdivision (a), the self-generation~~
9 ~~incentive program shall do all of the following:~~

10 ~~(1) Commencing January 1, 2005, require all~~
11 ~~combustion-operated distributed generation projects using fossil~~
12 ~~fuels to do either of the following to be eligible for self-generation~~
13 ~~rebates under the level 3 incentive category for nonrenewables, as~~
14 ~~established by the commission in Decision 01-03-073, dated~~
15 ~~March 27, 2001:~~

16 ~~(A) Meet an oxides of nitrogen (NO_x) emissions rate standard~~
17 ~~of 0.14 pounds per megawatthour.~~

18 ~~(B) Operate solely on natural gas that is not eligible for delivery~~
19 ~~to the utility pipeline system, and demonstrate that the project will~~
20 ~~provide a net air emissions benefit to the facilities' operations,~~
21 ~~which benefit shall be certified by the air quality management~~
22 ~~district or air pollution control district.~~

23 ~~(2) Commencing January 1, 2007, require all~~
24 ~~combustion-operated distributed generation projects using fossil~~
25 ~~fuels to do either of the following to be eligible for self-generation~~
26 ~~rebates under the level 3 incentive category for nonrenewables, as~~
27 ~~established by the commission in Decision 01-03-073, dated~~
28 ~~March 27, 2001:~~

29 ~~(A) Meet an oxides of nitrogen (NO_x) emissions rate standard~~
30 ~~of 0.07 pounds per megawatthour and a minimum efficiency of 60~~
31 ~~percent. A minimum efficiency of 60 percent shall be measured as~~
32 ~~useful energy output divided by fuel input. The efficiency~~
33 ~~determination shall be based on 100 percent load. Combined heat~~
34 ~~and power units that meet the 60 percent efficiency standard may~~
35 ~~take a credit to meet the applicable oxides of nitrogen (NO_x)~~
36 ~~emission standard of 0.14 pounds per megawatthour or 0.07~~
37 ~~pounds per megawatthour. Credit shall be at the rate of one~~
38 ~~megawatthour for each 3.4 million British thermal units (Btus) of~~
39 ~~heat recovered.~~

1 ~~(B) Operate solely on natural gas that is not eligible for delivery~~
2 ~~to the utility pipeline system, and demonstrate that the project will~~
3 ~~provide a net air emissions benefit to the facilities' operations,~~
4 ~~which benefit shall be certified by the air quality management~~
5 ~~district or air pollution control district.~~

6 ~~(3) Provide the commission with flexibility in administering~~
7 ~~the self-generation incentive program, including, but not limited~~
8 ~~to, flexibility with regard to the amount of rebates, inclusion of~~
9 ~~other ultra-clean and low-emission distributed generation~~
10 ~~technologies, and evaluation of other public policy interests,~~
11 ~~including, but not limited to, ratepayers, and energy efficiency and~~
12 ~~environmental interests.~~

